

Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday April 7, 1977 CG NIDC 77-080C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for April 7, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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Beginning April 7, NID cable articles will have a lead, summary paragraph to assist the reader in scanning the cable.

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LEBANON: Situation Report

//Fighting apparently slackened somewhat in southern Lebanon yesterday, but both sides may be preparing for further military activity.

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Yesterday's fighting was apparently at a reduced level.

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UN observers noted some exchanges of artillery, machine gun, and mortar fire.

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According to the US embassy in Beirut, it now appears that artillery support for the Palestinian-leftist forces in their counteroffensive against the Christians was provided by the Syrian-controlled Saiga organization, and not by Syrian regulars. //Israeli Chief of Staff Gur on Tuesday repeated earlier Israeli assertions that Israel had no evidence of direct participation by the Syrian army in the fighting.//

Earlier this week, members of Fatah--the largest and most moderate of the fedayeen organizations--were heavily involved in the fighting for the first time. Fear that establishment of a Christian buffer along the entire border with Israel would eliminate any option for operations against Israel may account for their participation.

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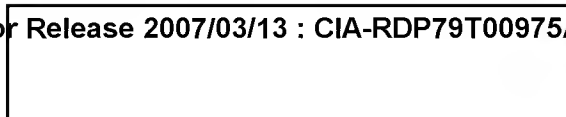
//The Christians may also be preparing for further action.

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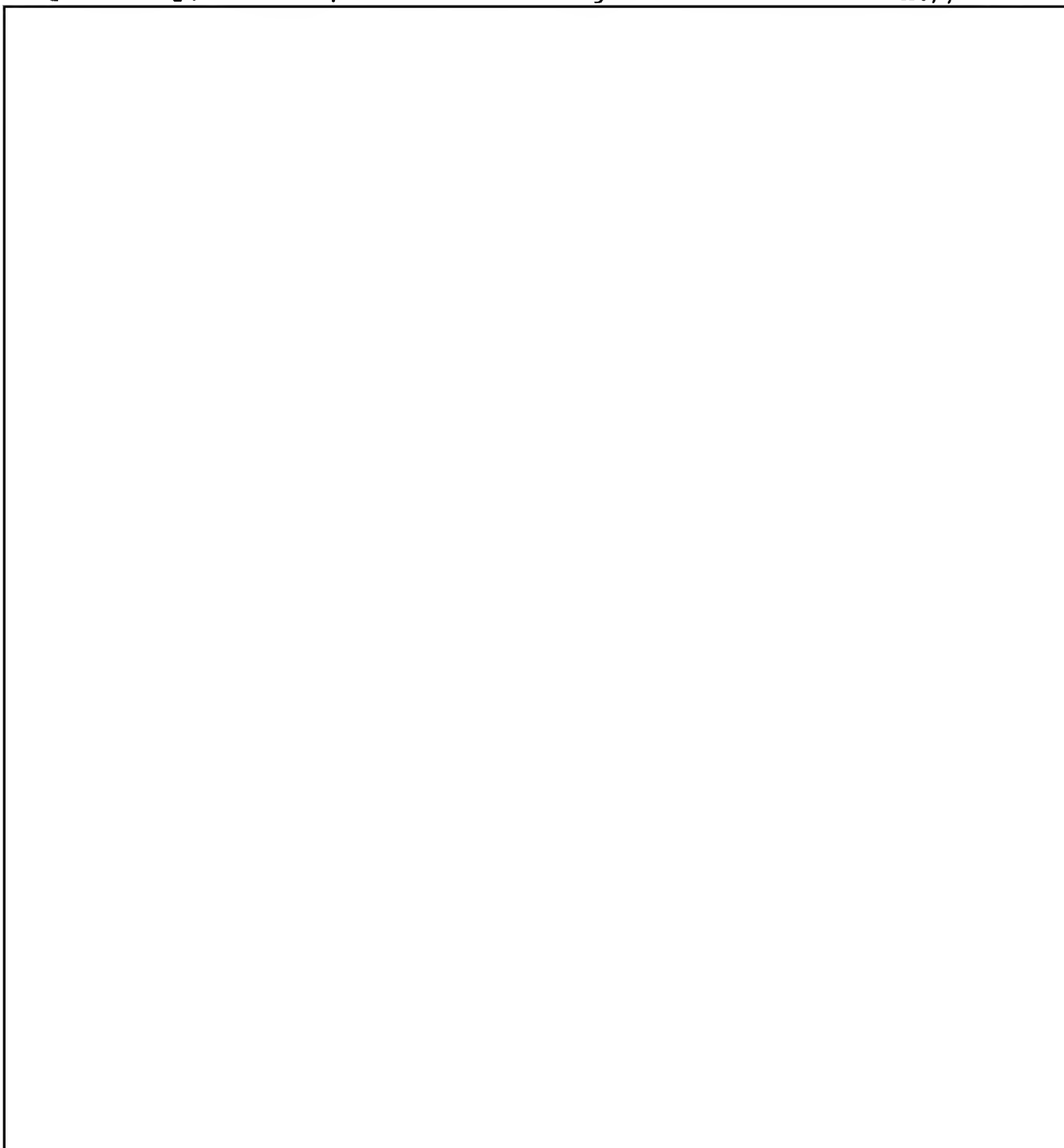
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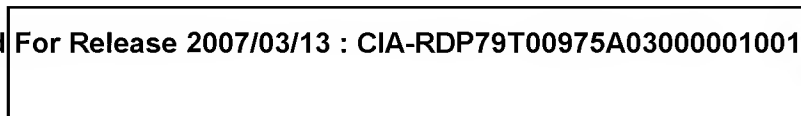


Ambassador Parker met with Phalangist leader Pierre Jumayyil yesterday, however, and noted no signs of a mobilization.//

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MOZAMBIQUE - SOUTH AFRICA: Electricity

Commercial sales of electricity generated by the Cabora-Bassa power project in Mozambique began late last month. Almost all of the power is being sold to South Africa.

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Initially three generating units with a capacity of about 1,200 megawatts will feed a new high voltage powerline linking the dam with the South African power grid. The scheduled addition of two more units and another transmission line early next year will bring total capacity to 2,000 megawatts, roughly equivalent to that of Egypt's Aswan Dam.

The project was designed by Portugal to provide inexpensive electricity to Mozambique and South Africa. The planners hoped that it would eventually become the cornerstone of the agricultural, mineral, and industrial development of Mozambique's Zambezi Basin.

Despite Mozambique's harsh rhetoric against South Africa's white minority government, practical considerations continue to prevail in such important economic relations as the sale of electricity. Mozambique would like to reduce its dependence on South Africa, but no other neighboring country can use the large amount of power generated by the project.

//South Africa will probably continue to purchase electricity from Mozambique as long as the price is favorable. It also hopes to recover its investment of more than \$30 million in the project. Cabora-Bassa could provide up to 10 percent of South Africa's electricity by 1980. South Africa, however, is likely to maintain a domestic reserve generating capacity equal to the amount it imports to guard against power interruptions.//

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[redacted] Mozambique must export electricity in order to pay for the foreign financing used in constructing the project; it will receive only a small amount of the much-needed foreign exchange from the sale of electricity until the loans are repaid.

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[redacted] The potential agricultural and industrial benefits of Cabora-Bassa probably will not be realized in the near future. Mozambique lacks the managerial, technical, and financial resources to develop the surrounding region. [redacted]

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TURKEY: Parliamentary Election Date

An early parliamentary election designed to end the paralyzing divisions within Turkey's four-party coalition has been officially scheduled for June 5. [redacted]

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[redacted] Both Prime Minister Demirel's Justice Party and opposition leader Ecevit's Republican Peoples Party hope to gain enough votes to reduce the role of Deputy Prime Minister Erbakan's National Salvation Party, which has been obstructing progress on key domestic and foreign policy issues. Although neither of Turkey's major parties is likely to win a clear majority, a newly elected government might have a freer hand to tackle Turkey's problems when parliament reconvenes next fall. In the meantime, no hard policy decisions are likely to be made.

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[redacted] Erbakan, who opposes an early election because his party may lose votes, has announced that he will appeal the election decision to the constitutional court. The court is likely to reject the appeal.

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[redacted] In accordance with constitutional requirements, the ministers of interior, justice, and communications must be replaced by independents within five days of the announcement that an election is to be held. Civil servants who wish to run for office must resign their positions within a week. Candidates for the 450 assembly seats and the 50 senatorial posts must be selected by April 24.

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[] This short time period gives a distinct advantage to incumbents and party regulars; this argument apparently was used by the two major parties to get reluctant deputies to back the early election proposal. []

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OECD: Nuclear Export Policies

//Nuclear export policies of the major countries in the Organization for Economic Cooperation and Development vary widely depending on government views about the future role of nuclear energy and the importance of the nuclear manufacturing industry to the domestic economy. West Germany, France, Canada, the UK, and Japan all have large nuclear industries, but only West Germany and France have significant export capacity. []

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[] //France and West Germany are the most active foreign exporters of nuclear equipment. In both countries, the export drive is fueled by a mixture of economic and political pressures; national pride also plays an important role.//

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[] //A key issue is jobs. With the slowdown in their domestic nuclear power programs, these countries see multi-billion-dollar exports of reactors and other equipment and services as the only way to maintain employment in the nuclear industry. The West Germans, in particular, believe that the nuclear power field is one of the industrial growth areas in which their international competitiveness is strong. They think reactor sales would suffer if they could not offer the complete fuel cycle.//

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[] //In contrast, the UK and Japan do not have the kind or range of nuclear products foreign buyers want, and thus the value of their exports is relatively small. Both countries are willing to support US nonproliferation efforts but are concerned that the US might eventually push for an international moratorium similar to that which they expect the US to impose on its own reprocessing activities.//

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[] //For London, a moratorium would eliminate a sizable portion of its potential foreign exchange earnings from reprocessing and leave a major investment project practically

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worthless. Tokyo would view a moratorium as a major impediment to achieving greater energy independence through development of a nationally controlled nuclear fuel cycle.//

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[REDACTED] //Canada has been making a major effort to impose stricter safeguards on its nuclear exports, but buyer resistance to these safeguards may severely limit future foreign sales of Canadian reactors. Canada also is under pressure to tighten regulation of its domestic nuclear program.//

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[REDACTED] //While Canada now has the capability to export only one reactor about every 18 months, additional export capacity could become available if, as seems likely, the government adopts US-type safety features and licensing procedures that would greatly slow the domestic nuclear construction program.//

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[REDACTED] //These five countries, and the US and the USSR, are charter members of the Nuclear Suppliers Group, which has adopted guidelines for nuclear exports. This group grew out of a US initiative following the 1974 test of an Indian nuclear device. In January 1976, it was expanded to include Czechoslovakia, East Germany, Sweden, Poland, Belgium, the Netherlands, and Italy.//

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[REDACTED] //The group's guidelines require the imposition of safeguards by the International Atomic Energy Agency on both the facilities and materials actually exported, and on any facilities built by the recipient country the designs of which could have been copied from the imported equipment. The IAEA, however, has never safeguarded a reprocessing plant, nor can it impose any sanctions against offenders.//

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[REDACTED] //Both West Germany and France have complied with the guidelines in their respective sales to Brazil and Pakistan. Having cooperated to this extent, the two countries believe the US has little justification for calling into question deals they have already signed. [REDACTED]

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UK: Foreign Currency Bond Issue

//The British government is trying to reduce potentially destabilizing sterling balances outstanding by offering to exchange foreign currency bonds for sterling balances now held by about 25 governments. These balances currently total roughly \$4 billion. [redacted]

[redacted] *//The major overseas sterling holders can choose between US dollar bonds with maturities of five, seven, or ten years, and seven-year bonds denominated in West German marks, Swiss francs, or Japanese yen. The bonds yield a slightly higher rate than can currently be obtained on comparable Euro-market debt and will be negotiable though not fully marketable.*//

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[REDACTED] //The bond issues are likely to have only limited success, in part because sterling securities still carry relatively high yields with minimal depreciation risk. Members of the Organization of Petroleum Exporting Countries, which still hold the bulk of overseas sterling, are not likely to convert much of their sterling balances into long-term debt.//

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[REDACTED]

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